



# **The Commonwealth of Massachusetts**

## **DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

### MEMORANDUM

TO: Service Lists: Discount Rate Participation, D.T.E. 01-106-B; Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, D.T.E. 05-55; Massachusetts Electric Company and Nantucket Electric Company, D.T.E. 05-56

FROM: Jeanne L. Voveris, Hearing Officer

DATE: September 27, 2005

RE: Alternative Cost Recovery Mechanism

CC: Commission  
Mary Cottrell, Secretary  
Staff as Assigned

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### I. INTRODUCTION

The Department of Telecommunications and Energy ("Department") held a public hearing on September 16, 2005, in dockets Discount Rate Participation, D.T.E. 01-106-B; Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, D.T.E. 05-55; and Massachusetts Electric Company and Nantucket Electric Company, D.T.E. 05-56, to permit comment from interested persons on the establishment of a uniform cost recovery mechanism related to the low-income discount rate. After the public hearing, the Department held a technical session with the electric and gas distribution companies and other interested persons to discuss various elements of the proposed cost recovery tariffs filed by Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company (together, "NSTAR Electric") and Massachusetts Electric Company and Nantucket Electric Company (together, "MECo").

At the technical session, Department staff discussed an alternative cost recovery mechanism and agreed to circulate the details of the mechanism for review and comment. The Department will accept written comment on the alternative mechanism detailed in Section II, below, on or before the close of business on **Friday September 30, 2005**. An original and eight (8) copies of all written comments must be filed with Mary L. Cottrell, Secretary,

Department of Telecommunications and Energy, One South Station - 2nd Floor, Boston, Massachusetts 02110. One copy of all written comments should also be sent to the service lists in D.T.E. 01-106-B, D.T.E. 05-55, D.T.E. 05-56.

All written comments also should be submitted to the Department in electronic format using one of the following methods: (1) by e-mail attachment to [dte.efiling@state.ma.us](mailto:dte.efiling@state.ma.us) and [jeanne.voveris@state.ma.us](mailto:jeanne.voveris@state.ma.us) or (2) on a 3.5" disk. The text of the e-mail or the disk label must specify: (1) the docket numbers of the proceeding, (D.T.E. 01-106-B, D.T.E. 05-55, D.T.E. 05-56), (2) name of the person or company submitting the filing, and (3) a brief descriptive title of the document. The electronic filing also should include the name, title, and telephone number of a person to contact in the event of questions about the filing. Text responses should be created in either Corel WordPerfect, Microsoft Word, or as an Adobe-compatible PDF file. Data or spreadsheet responses should be compatible with Microsoft Excel. All comments submitted in electronic format will be posted on the Department's Web site: <http://www.mass.gov/dte/>.

## II. ALTERNATIVE MECHANISM

- All Residential Assistance Adjustment Factor ("RAAF") tariffs will have an effective date of November 1, 2005.
- The adjustment factor will be calculated on a prospective basis, similar to the method proposed in the tariffs that were filed by NSTAR Electric in D.T.E. 05-55. Companies shall forecast the expected low-income shortfall for the next twelve months. Any subsequent over- or under-recovery will be reconciled in the following year.
- For gas companies, the reconciliation will occur concurrently with peak/winter LDAF filings. For electric companies, the reconciliation will occur concurrently with annual transition charge reconciliation filings.
- Over- or under-recoveries will accrue interest at the prime rate as reported by the Bank of America in Boston, consistent with Department regulations. See 220 C.M.R. § 6.08(2).
- Companies shall establish a baseline amount of low-income discount that is collected through base rates for the twelve months ending June 30, 2005. The baseline amount shall be calculated as the difference between the base rate revenues that would have been collected from customers receiving the low-income discount during the year ending June 30, 2005, had no low-income discount existed and the actual base

rate revenues collected from low-income customers for the twelve months ending June 30, 2005.

- On or after July 1, 2005, any amount of low-income discount (whether customers are enrolled in the low-income discount rate through traditional outreach or the computer matching program) in excess of the baseline amount will be eligible for recovery through the RAAF.
- In the event that a company's total low-income discount in a given year is below the baseline amount, no refund of any baseline amount will be due to ratepayers.